

ABE'S GARDEN

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2012 AND 2011

ABE'S GARDEN

TABLE OF CONTENTS

Independent Auditors' Report	3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	6
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to Financial Statements	11



BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Abe's Garden
Nashville, Tennessee

We have audited the accompanying statements of Abe's Garden (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abe's Garden as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 26, 2013

Bellenfant & Miles, PLLC

ABE'S GARDEN
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and Cash Equivalents	\$ 1,739,089	\$ 1,613,662
Accounts Receivable	57,808	90,705
Pledges Receivable	586,935	848,046
Inventory	16,048	8,178
Prepaid Expenses	24,016	13,382
	<hr/>	<hr/>
Total Current Assets	2,423,896	2,573,973
	<hr/>	<hr/>
Land, Building and Equipment	17,920,101	15,300,436
Less: Accumulated Depreciation	(964,942)	(710,995)
	<hr/>	<hr/>
Land, Building and Equipment - Net	16,955,159	14,589,441
	<hr/>	<hr/>
Noncurrent Assets		
Pledges Receivable, Due after One Year	605,996	1,249,898
Closing Costs, Net of Amortization	261,104	269,716
Other Assets	1,800	-
	<hr/>	<hr/>
Total Noncurrent Assets	868,900	1,519,614
	<hr/>	<hr/>
Total Assets	<u>\$ 20,247,955</u>	<u>\$ 18,683,028</u>

The accompanying notes are an integral part of these financial statements.

ABE'S GARDEN

STATEMENTS OF FINANCIAL POSITION - CONTINUED

DECEMBER 31, 2012 AND 2011

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
Current Liabilities		
Current Portion of Bonds Payable	\$ 400,000	\$ 400,000
Accounts Payable and Accrued Expenses	500,461	217,929
Accrued Liability for Cumberland Property	-	210,000
Tenant Deposits	268,829	205,320
Accrued Interest	3,667	12,309
Property Tax Accrual	166,735	137,395
Personalty Tax Accrual	2,757	1,536
	<hr/>	<hr/>
Total Current Liabilities	1,342,449	1,184,489
	<hr/>	<hr/>
Noncurrent Liabilities		
Derivative Financial Instruments	82,830	-
Notes Payable	1,600,000	1,600,000
Non-Current Portion of Bonds Payable	11,800,000	10,473,373
Line of Credit - Related Party	-	472,961
	<hr/>	<hr/>
Total Noncurrent Liabilities	13,482,830	12,546,334
	<hr/>	<hr/>
Total Liabilities	14,825,279	13,730,823
	<hr/>	<hr/>
Net Assets		
Unrestricted	5,077,884	3,684,886
Temporarily Restricted	344,792	1,267,319
	<hr/>	<hr/>
Total Net Assets	5,422,676	4,952,205
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 20,247,955</u>	<u>\$ 18,683,028</u>

The accompanying notes are an integral part of these financial statements.

ABE'S GARDEN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 141,583	\$ -	\$ 141,583
Capital Campaign Contributions	-	614,963	614,963
Residential Rent	3,176,498	-	3,176,498
Services Sold to Residents	610,135	-	610,135
Net Assets Released from Restrictions	<u>1,537,490</u>	<u>(1,537,490)</u>	<u>-</u>
 Total Support and Revenue	 <u>5,465,706</u>	 <u>(922,527)</u>	 <u>4,543,179</u>
Expenses			
Program Services	3,657,734	-	3,657,734
Supporting Services			
Management and General	229,881	-	229,881
Fundraising	<u>238,973</u>	<u>-</u>	<u>238,973</u>
 Total Expenses	 4,126,588	 -	 4,126,588
Other Income			
Interest Income	2,513	-	2,513
Insurance Proceeds	<u>51,367</u>	<u>-</u>	<u>51,367</u>
 Total Other Income	 <u>53,880</u>	 <u>-</u>	 <u>53,880</u>
 Change in Net Assets	 1,392,998	 (922,527)	 470,471
 Net Assets, January 1, 2012	 <u>3,684,886</u>	 <u>1,267,319</u>	 <u>4,952,205</u>
 Net Assets, December 31, 2012	 <u><u>\$ 5,077,884</u></u>	 <u><u>\$ 344,792</u></u>	 <u><u>\$ 5,422,676</u></u>

The accompanying notes are an integral part of these financial statements.

ABE'S GARDEN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 1,814,182	\$ -	\$1,814,182
Capital Campaign Contributions	-	239,030	239,030
Residential Rent	2,566,933	-	2,566,933
Services Sold to Residents	709,923	-	709,923
Net Assets Released from Restrictions	<u>2,850,000</u>	<u>(2,850,000)</u>	<u>-</u>
Total Support and Revenue	<u>7,941,038</u>	<u>(2,610,970)</u>	<u>5,330,068</u>
Expenses			
Program Services	3,271,540	-	3,271,540
Supporting Services			
Management and General	200,344	-	200,344
Fundraising	<u>234,390</u>	<u>-</u>	<u>234,390</u>
	3,706,274	-	3,706,274
Loss on Sale of Assets	3,242	-	3,242
Expenses for Assets Held	<u>210,180</u>	<u>-</u>	<u>210,180</u>
Total Expenses	<u>3,919,696</u>	<u>-</u>	<u>3,919,696</u>
Other Income			
Interest Income	<u>39,493</u>	<u>-</u>	<u>39,493</u>
Total Other Income	<u>39,493</u>	<u>-</u>	<u>39,493</u>
Change in Net Assets	4,060,835	(2,610,970)	1,449,865
Net Assets, January 1, 2011	<u>(375,949)</u>	<u>3,878,289</u>	<u>3,502,340</u>
Net Assets, December 31, 2011	<u>\$ 3,684,886</u>	<u>\$ 1,267,319</u>	<u>\$4,952,205</u>

The accompanying notes are an integral part of these financial statements.

ABE'S GARDEN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,736,349	\$ -	\$ 145,234	\$ 1,881,583
Contractual Employees	1,426	-	-	1,426
Employee Benefits	174,307	-	11,659	185,966
Payroll Taxes	153,263	-	10,766	164,029
 Total Salaries and Benefits	 2,065,345	 -	 167,659	 2,233,004
 Advertising	 22,362	 20	 1,409	 23,791
Amortization	3,612	-	5,000	8,612
Depreciation	253,286	-	661	253,947
Equipment Rental	227	-	-	227
 Food	 246,188	 -	 -	 246,188
Insurance	39,215	1,106	4,550	44,871
Interest	310,577	179,835	-	490,412
Licenses and Fees	3,090	300	-	3,390
Meetings	1,755	1,178	2,701	5,634
 Miscellaneous	 4,488	 -	 305	 4,793
Postage	1,108	331	2,583	4,022
Printing	3,359	13	14,197	17,569
Contracted Services	124,359	38,115	29,739	192,213
Property Taxes	157,784	-	-	157,784
 Repairs and Maintenance	 70,512	 707	 1,142	 72,361
Supplies	98,135	696	1,184	100,015
Telephone and Cable	25,004	34	493	25,531
Travel	10,279	3,707	7,350	21,336
Utilities	217,049	3,839	-	220,888
 Total Functional Expenses	 \$ 3,657,734	 \$ 229,881	 \$ 238,973	 \$ 4,126,588

The accompanying notes are an integral part of these financial statements.

ABE'S GARDEN

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2011

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,437,256	\$ -	\$ -	\$ 1,437,256
Contractual Employees	34,692	-	-	34,692
Employee Benefits	139,191	-	-	139,191
Payroll Taxes	128,704	-	-	128,704
Total Salaries and Benefits	1,739,843	-	-	1,739,843
Advertising	15,490	20	1,332	16,842
Amortization	13,064	-	5,000	18,064
Depreciation	203,073	-	963	204,036
Equipment Rental	2,925	-	-	2,925
Food	226,746	-	-	226,746
Insurance	22,167	950	712	23,829
Interest	482,425	159,148	-	641,573
Licenses and Fees	3,478	-	300	3,778
Meetings	1,741	1,730	5,560	9,031
Miscellaneous	5,514	385	320	6,219
Postage	1,119	58	3,368	4,545
Printing	2,821	-	9,086	11,907
Contracted Services	106,729	32,525	198,597	337,851
Property Taxes	81,800	-	-	81,800
Repairs and Maintenance	61,881	-	1,781	63,662
Supplies	60,213	532	3,184	63,929
Telephone and Cable	23,175	-	-	23,175
Travel	10,034	4,996	4,187	19,217
Utilities	207,302	-	-	207,302
Total Functional Expenses	<u>\$ 3,271,540</u>	<u>\$ 200,344</u>	<u>\$ 234,390</u>	<u>\$ 3,706,274</u>

The accompanying notes are an integral part of these financial statements.

ABE'S GARDEN
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2012 AND 2011

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2012</u>	<u>2011</u>
Change in Net Assets	\$ 470,471	\$ 1,449,865
Adjustments to Reconcile to Net Cash Provided by Operations:		
Depreciation and Amortization	262,559	209,219
(Increase) Decrease in:		
Accounts Receivable	32,897	(58,909)
Pledges Receivable	905,013	738,287
Prepaid Expenses	(10,634)	(1,212)
Inventory	(7,870)	1,389
Other Assets	(1,800)	-
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	282,532	71,144
Accrued Liability for Cumberland Property	(210,000)	210,000
Tenant Deposits	63,509	47,838
Accrued Interest	(8,642)	(4,250)
Tax Accruals	30,561	(28,647)
Derivative Financial Instruments	82,830	-
Net Cash Provided by Operating Activities	<u>1,891,426</u>	<u>2,634,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Building, and Equipment	<u>(2,619,665)</u>	<u>(1,477,766)</u>
Net Cash Used by Investing Activities	<u>(2,619,665)</u>	<u>(1,477,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease Principal Payments	-	(830)
Payments Made on Notes Payable	-	(11,600,000)
Payments Made on Line of Credit	(482,964)	(1,091,435)
Proceeds From Borrowings on Line of Credit	10,003	1,543,584
Proceeds From the Issuance of Bonds	1,726,627	10,873,373
Payments on Bonds Payable	<u>(400,000)</u>	<u>(89,091)</u>
Net Cash Provided (Used) by Investing Activities	<u>853,666</u>	<u>(364,399)</u>
Net Increase (Decrease) in Cash	125,427	792,559
Cash, beginning of year	<u>1,613,662</u>	<u>821,103</u>
Cash, end of year	<u>\$ 1,739,089</u>	<u>\$ 1,613,662</u>

Supplemental Cash Flows Information:

During the years ended December 31, 2012 and 2011, the Organization paid interest of \$407,582 and \$641,573, respectively.

The accompanying notes are an integral part of these financial statements.

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Abe's Garden ("the Organization") is a nonprofit organization incorporated in Tennessee that is a luxury, independent senior citizen living community specializing in Alzheimer's and adult care. The Organization was founded on May 25, 2007.

Classification of Restricted and Unrestricted Net Assets:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2012 or 2011.

Advertising:

Abe's Garden expenses advertising costs as incurred. Advertising costs for 2012 and 2011 were \$23,791 and \$16,842, respectively.

ABE'S GARDEN
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Depreciation:

It is the Organization's policy to capitalize property and equipment over \$500. All purchases less than that amount are expensed in the period incurred. Donated property and equipment are reported as contributions at estimated fair value. Unless donor-restricted, all donated property and equipment are reported as increases in unrestricted net assets. Property and equipment are depreciated over estimated useful lives using the straight-line method. Useful lives range from 3 years for computer equipment to 40 years for building and building improvements.

Income Taxes:

Abe's Garden is exempt from Federal Income Taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

The Organization has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. The Organization believes that it has taken no uncertain tax positions.

Cash:

For purposes of the statement of cash flows, the Organization considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Donated Assets and Services:

Noncash donations are recorded as contributions at their estimated fair values at the date of donation. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and fundraising campaigns. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills. These services would typically need to be purchased if not provided by donation and are recorded at their fair values in the period received. Contributions of \$60,542 and \$654,232 were recorded as in-kind for the year ended December 31, 2012 and 2011, respectively. During 2011, \$621,500 was related to the donation of a building.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Concentration of Credit Risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash on deposit and pledges receivable. Cash deposits are primarily in financial institutions in Tennessee and at times, may exceed FDIC limits. The balance of an interest bearing account exceeded federally insured amounts by \$828,181 and \$587,544 as of December 31, 2012 and 2011, respectively. Concentrations of credit risk with respect to pledges receivable are limited to donors in the Nashville area. Management does not believe that significant credit risk exists at December 31, 2012 and 2011.

Accounts and Pledges Receivable:

Accounts and pledges to be received within the next 12 months, or with restrictions that have been met at year-end are classified as current assets. Pledges designated by the donor to be received more than 12 months after year-end have been classified as noncurrent assets. Abe's Garden does not require collateral or other security to support the receivables, nor does it accrue interest on any of its receivables. Management has evaluated all outstanding pledges at December 31, 2012 and 2011, and determined that no additional allowance is considered necessary.

2. LAND, BUILDING AND EQUIPMENT

A summary of land, building and equipment at December 31, is as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 7,272,275	\$ 7,272,275
Building and Improvements	10,087,799	7,706,479
Equipment	<u>560,027</u>	<u>321,682</u>
	17,920,101	15,300,436
Less: Accumulated Depreciation	<u>(964,942)</u>	<u>(710,995)</u>
Land, Building and Equipment - net	<u><u>\$16,955,159</u></u>	<u><u>\$14,589,441</u></u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2012 AND 2011

3. RELATED PARTIES

Pledges Receivable

Related party pledges receivable consisted of pledges received from a board member at December 31, 2012. Related party pledges receivable due in the next fiscal year are reflected as current, whereas, pledges due in subsequent years are reflected as long-term. The net present value of the related party pledges discounted at 2.60% is \$36,273. Management has determined that no allowance is deemed necessary. Related party pledges receivable as of December 31, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Unrestricted	\$ 40,000	\$ 50,000
Less discount to net present value	<u>(3,727)</u>	<u>(3,755)</u>
	<u>\$ 36,273</u>	<u>\$ 46,245</u>
Amounts due in:		
Less than one year	\$ 10,000	\$ 10,000
One to five years	<u>30,000</u>	<u>40,000</u>
	<u>\$ 40,000</u>	<u>\$ 50,000</u>

Line of Credit

The Organization has a demand note, dated October 2, 2007, with a partnership in which a board member is a controlling partner, available under a line of credit in the amount up to \$2,000,000 for the Development Project. The interest rate on this demand note was modified in January 2009 to the Prime Rate (3.25% as of December 31, 2012). During 2012, \$472,961 was paid on the balance of this note. Interest of \$10,003 was accrued and paid, on this loan during 2012. The balance at December 31, 2012 and 2011 was \$0 and \$472,961, respectively.

Notes Payable

The same partnership loaned \$1,600,000 to the Organization that matures January 15, 2015. No principal was repaid on this loan during 2012 or 2011. Interest of \$88,000 was paid on the loan in both 2012 and 2011.

Payment of Expenses

A board member is majority shareholder of the company which provides certain back office administrative and payroll services to the Organization. The Organization reimbursed, the company at cost, for the direct cost of payroll and other related expenses in the amounts of \$83,169 and \$232,842 the years ended December 31, 2012 and 2011, respectively.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2012 AND 2011

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following at December 31:

	<u>2012</u>	<u>2011</u>
Capital Campaign	<u>\$ 344,792</u>	<u>\$ 1,267,319</u>

5. RETIREMENT PLAN

The Organization has a 401(k) Retirement Savings Plan under which the Company is required to match 5% of employee contributions up to 5% of employee's salaries. The Company's contribution was \$212 and \$200 for the years ended December 31, 2012 and 2011, respectively.

6. NOTE PAYABLE

	<u>2012</u>	<u>2011</u>
Note Payable to a privately owned partnership, dated January 15, 2008 in the amount of \$1,600,000, due in interest only payments starting February 15, 2008 at a rate of 5.5%. All principal and interest is due and payable on January 15, 2015. The note is secured by the real estate of the Organization subordinate to the commercial bank note payable.	<u>1,600,000</u>	<u>1,600,000</u>

As of December 31, 2012, the note payable matures as follows:

2013	\$ -
2014	-
2015	<u>1,600,000</u>
	<u>\$ 1,600,000</u>

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2012 AND 2011

7. BONDS PAYABLE

The Organization has tax-exempt bonds payable which were issued by The Health and Education Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee, the original trustee. The principal amount of the bonds was used to refinance a loan with a commercial bank of \$10,600,000 and to provide additional funds for the development of the Abe's Garden Project. In 2011 the bonds were purchased from the original trustee by SunTrust Bank (the Bank). The Organization has signed a loan agreement with the Bank that stipulates payment terms relating to principal and interest. The bonds mature on September 1, 2036. Interest is based on the highest of three prevailing indexes (2.60% as of December 31, 2012). The bonds are secured by the land and building of Abe's Garden Project.

The agreement with the Bank contains various debt covenants, including requirements that the Organization maintain cash of greater than 150 days of operating expenses and maintain a debt service coverage ratio of not less than 1.20 to 1. As of December 31, 2012, the Organization was in compliance with the debt covenants.

		As of December 31, 2012, Bonds Payable	
		mature as follows:	
Total Bonds Payable	\$12,200,000		
Less Current Portion	<u>400,000</u>		
		2013	\$ 400,000
		2014	400,000
		2015	400,000
		2016	400,000
		2017 and thereafter	<u>10,600,000</u>
			<u>\$12,200,000</u>

8. SUBSEQUENT EVENTS

Subsequent events were evaluated through April 26, 2013, which is the date the financial statements were available to be issued.

ABE'S GARDEN

NOTES TO FINANCIAL STATEMENTS - CONTINUED

DECEMBER 31, 2012 AND 2011

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Organization held variable rate debt of approximately \$12.2 million as of December 31, 2012. Interest rate swap agreements are used by the Organization to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under such arrangements, a portion of variable rate indebtedness is converted to fixed rates based on a notional principal amount. The interest rate swap agreements are derivative instruments that are required to be marked to fair value and recorded on the statement of financial position. As of December 31, 2012, the aggregate notional principal amount under the interest rate swap agreements, with maturity dates ranging from 2016 through 2021, totaled \$10 million. The fair value of the interest rate swap agreements was a liability of \$82,830 and is included in noncurrent liabilities in the accompanying statements of financial position.

The change in fair value on these interest rate swap agreements was a loss of \$82,830 for the year ended December 31, 2012 and is included in the statements of activities as interest expense.

The overall impacts of fluctuations in the fair value of the swap arrangement were as follows:

Liability for Derivative Financial Instruments, January 1, 2012	\$ -
Loss on interest rate swap	<u>82,830</u>
Liability for Derivative Financial Instruments, December 31, 2012	<u>\$ 82,830</u>
Interest Paid on Debt	\$ 407,582
Loss on interest rate swap	<u>82,830</u>
Interest expense, per statement of activities	<u>\$ 490,412</u>